

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

FEBRUARY 26, 2015

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JULY 1, 2015 THROUGH DECEMBER 31, 2015 AND A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2015 THROUGH JUNE 30, 2016, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

INITIATED BY: SUCCESSOR AGENCY

(David A. Wilson, Director of Finance & Technology Services) *DAW*

(John Leonard, Revenue Management Division Manager) *JL*

STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule for the period from July 1, 2015 through December 31, 2015 and a Successor Agency Administrative Budget for the period from July 1, 2015 through June 30, 2016.

RECOMMENDATION:

Adopt Resolution No. OB15-014 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD FROM JULY 1, 2015 THROUGH DECEMBER 31, 2015 AND A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JULY 1, 2015 THROUGH JUNE 30, 2016, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the Successor Agency to the West Hollywood Community Development Commission ("Successor Agency")

AGENDA ITEM VI.4.

setting forth the minimum payments and due dates of payments required by enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

The ROPS for the period from July 1, 2015 through December 31, 2015 ("ROPS No. 8 or ROPS 15-16A") must be approved by the Successor Agency's Oversight Board and transmitted to the County Auditor-Controller ("Auditor-Controller"), State Department of Finance ("DOF"), and State Controller, no later than March 1, 2015. If the Successor Agency and Oversight Board fail to meet the March 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline.

The Successor Agency was required to submit a copy of the draft ROPS to the County Auditor-Controller and State Controller at the same time that it was submitted to the Successor Agency for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

Once the ROPS is approved by the Oversight Board, DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF's determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination 15 days before the date of property tax distribution by the Auditor-Controller.

H&SC Section 34177(j) also requires that each successor agency prepare an administrative budget for each six month period and submit that administrative budget to their oversight board for approval. The successor agency administrative budget shall include estimated amounts for successor agency administrative costs, proposed sources of payments, and any proposals for arrangements for administrative services provided by a city, county, or other entity. Pursuant to H&SC Section 34171(b) the administrative cost allowance provided to each successor agency, for each fiscal-year, can be up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund, for the successor agency, or two hundred and fifty thousand dollars (\$250,000), whichever is greater, unless the Oversight Board reduces the amount.

ROPS 15-16A - (July 1, 2015 through December 31, 2015)

ROPS 15-16A (Attachment 1) includes debt service payments and fees for the former redevelopment agency's 2011 tax allocation bonds and the Successor Agency's 2013 refunding bonds (refunded the former redevelopment agency's 2003 bonds).

The ROPS for the period January 1, 2013 through June 30, 2013 (ROPS No. 3) was submitted to DOF on August 31, 2012. DOF subsequently objected to six enforceable obligations on ROPS No. 3. These enforceable obligations included various projects that would have been funded with proceeds from the former redevelopment agency's 2011 bonds. These enforceable obligations were not denied by DOF on ROPS No. 1 and No. 2.

Payments for the six enforceable obligations that were denied by DOF on ROPS No. 3 have not been listed on any ROPS since that denial. These enforceable obligations are shown on ROPS 15-16A (in red) because DOF requires that previously denied items be shown on the ROPS, however, no payments can be listed. The Successor Agency continues to disagree with DOF's denial of the enforceable obligations. Therefore, the submittal of ROPS 15-6A is made under protest and is not intended, nor has the effect, of waiving the City's and Successor Agency's right to insist that the enforceable obligations denied by DOF are valid and should be included on the ROPS.

Enforceable Obligation Detail

- 7) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Principal) – Principal repayment for non-housing bonds; due on September 1 of each year.
Payments Due: \$285,000
Payment Source: Redevelopment Property Tax Trust Fund ("RPTTF") and required reserve balances for debt service approved as part of ROPS 14-15B (see explanation in fiscal impact section)
- 8) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Interest) – Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.
Payments Due: \$1,028,444
Payment Source: RPTTF and required reserve balances for debt service approved as part of ROPS 14-15B
- 9) 2011 Tax Allocation Non-Housing Bonds Series A Bond Trustee Fees – Bond fee payment for non-housing bonds; due on March 1 of each year.
Payments Due: None
Payment Source: RPTTF
- 10) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) – Principal repayment for housing bonds; due on September 1 of each year.
Payments Due: \$50,000

Payment Source: RPTTF and required reserve balances for debt service approved as part of ROPS 14-15B

- 11) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) – Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$410,369

Payment Source: RPTTF and required reserve balances for debt service approved as part of ROPS 14-15B

- 12) 2011 Tax Allocation Housing Bonds Series B Bond Trustee Fees – Bond fee payment for housing bonds; due on March 1 of each year.

Payments: None

Payment Source: RPTTF

- 24) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles – On June 15, 2012, a writ of mandate was issued in Los Angeles Unified School District v. City of Los Angeles, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the County Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory pass-through payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. In June 2013, the Court ruled on the second phase of the case, siding again with LAUSD. The amount owed by the Successor Agency must be listed on subsequent ROPS and the full amount owed must be remitted to LAUSD. The County Auditor-Controller is required to calculate the amount owed by the Successor Agency, once the recalculated pass-through payment amounts are received, Successor Agency staff will place that payment amount on a subsequent ROPS once it is received from the County.

Payments: TBD

Payment Source: RPTTF

- 25) Successor Agency Administrative Costs/Budget – Various administrative costs for continued operation of the Successor Agency, for the period July 1, 2015 through June 30, 2016. See Attachment 2.

Payments: \$250,000

Payment Source: Administrative Allowance

- 26) 2013 Tax Allocation Refunding Bonds Debt Service (Principal) – Principal payment for refunding bonds; due on September 1 of each year.

Payments Due: \$300,000
Payment Source: RPTTF and required reserve balances for debt service approved as part of ROPS 14-15B

- 27) 2013 Tax Allocation Refunding Bonds Debt Service (Interest) – Interest payment for refunding bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$215,763
Payment Source: RPTTF and required reserve balances for debt service approved as part of ROPS 14-15B

- 28) 2013 Tax Allocation Refunding Bonds Trustee Fees – Trustee fees for refunding bonds; due in December of each year.

Payments Due: \$2,280
Payment Source: RPTTF

Administrative Budget No. 7 – (July 1, 2015 through June 30, 2016)

The Successor Agency has prepared a proposed Administrative Budget for the period from July 1, 2015 through June 30, 2016 (“Administrative Budget No. 7”), which is included as Attachment 2. Administrative Budget No. 7 includes estimates of administrative costs and sources of payment, as required by AB x1 26. Administrative Budget No. 7 is based on a \$250,000 cost allowance for the entire fiscal year (2015-16). Staff determined that the “3 percent” calculation, as detailed previously, would yield an administrative cost allowance of approximately \$120,000 for the entire 2015-16 fiscal year, substantially less than the fixed amount of \$250,000. This amount is not adequate to wind-down the activities of the Successor Agency; therefore, staff is recommending the \$250,000 administrative budget allowance that is allowed by law.

For Administrative Budget No. 7, the Successor Agency estimates administrative costs in the amount of \$250,000. The budget includes Successor Agency staffing costs, overhead costs, as well as other contract and legal services. Administrative Budget No. 7 costs will be paid for with the Successor Agency \$250,000 administrative cost allowance for the fiscal year 2015-16. Upon Oversight Board approval of Administrative Budget No. 7 the Successor Agency will request \$250,000 in administrative cost allowance funds from the Auditor-Controller. The requested amount of \$250,000 is also listed on ROPS 15-16A.

The Successor Agency is requesting the full \$250,000 administrative allowance for fiscal-year 2015-16 on ROPS 15-16A. The Successor Agency will not request any administrative allowance funding on ROPS 15-16B. As part of the

refunding process for the 2003 Bonds, the Successor Agency was notified that they would be required to request the full debt service amount (for each calendar year), for all of their bonds, on the first ROPS of each calendar year (the "B" period). With this in mind, the Successor Agency will need to request RPTTF funds to cover the full amount of debt service for the 2016 calendar year on ROPS 15-16B. This request would not leave enough RPTTF funding to cover the Successor Agency's \$125,000 administrative allowance for that period. For this reason, the Successor Agency is requesting the full \$250,000 administrative allowance for the fiscal-year 2015-16 in the ROPS 15-16A period, since RPTTF funds are available for the period. This request was accepted by the State Department of Finance last year.

At previous meetings, the Oversight Board has requested that staff provide additional detail for each Administrative Budget. Additional detail is attached to Administrative Budget No. 7, including the employees and their salary percentages that are included in the Budget.

FISCAL IMPACT:

The enforceable obligations shown on ROPS 15-16A have a combined six-month funding need of \$2,541,856. The funds to pay for these enforceable obligations will come from several sources; as detailed in the following table:

Funding Source	Funding Amount
Required Reserve Balances from ROPS 14-15B	\$1,432,143
New RPTTF Request for 15-16A ROPS Period	\$859,713
Administrative Allowance (fiscal-year 2015-16)	\$250,000
Total	\$2,541,856

In December 2013, the Successor Agency refinanced its 2003 Tax Allocation Bonds as part of the County of Los Angeles's Pooled Bond Refunding program. As part of the refunding, the Successor Agency is now required to request the entirety of debt service for each calendar year on ROPS B (the first ROPS of the calendar year). Funds associated with debt service for the period from January 1 through June 30 (the ROPS B period), are used to pay debt service during that period, and funds associated with debt service for the period from July 1 through December 31, are held in trust by the trustee for the bonds and used to pay all or a portion of the debt service during the ROPS A period. This is required because the successor agency must reserve enough funding to pay debt service before it can use funds for any other expenses. This request was made on the prior ROPS (14-15B), and the Trustee for the Successor Agency's bonds (Bank of New York) was allocated all the remaining residual balance for that period (\$1,432,143), to hold in trust to pay for a portion of the debt service required for this ROPS period (15-16A). For this reason, a portion of the debt service for this ROPS period will be paid for with these reserve balances and the remaining portion will be paid for with newly requested RPTTF monies.

Prior Period Adjustments

As part of the ROPS reporting process successor agencies must reconcile actual expenditures with amounts requested on prior ROPS (page 5 of ROPS 15-16A). For ROPS 15-16A the Successor Agency was required to reconcile the actual expenditures for ROPS 14-15A (July 1, 2014 through December 31, 2014). The Successor Agency requested, and received, \$2,672,880 in RPTTF funding for the ROPS 14-15A period, and had \$4,842 cash-on-hand to pay for enforceable obligations. As shown on page 5, the Successor Agency expended these two amounts in full; for this reason, no prior period adjustment is necessary.

ATTACHMENTS:

- Attachment 1: Recognized Obligation Payment Schedule for the period from July 1, 2015 through December 31, 2015.
- Attachment 2: Successor Agency Administrative Budget for the period from July 1, 2015 through June 30, 2016.
- Attachment 3: Resolution